THE INC. 100: AMERICA'S FASTEST-GROWING SMALL PUBLIC COMPANIES

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THE MAGAZINE FOR GROWING COMPANIES

Inc.®

GOING PUBLIC

THE DARK SIDE OF THE DREAM

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Jeffrey Sudikoff, #83
CEO of IDB Communications Group

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Inc. 100

THE INC. 100

The 12th annual ranking of America's fastest-growing small public companies

WHAT A SYSTEM! AT THE BEGINNING of the past decade the average company tabulated in these pages didn't even exist. Which means the jobs each of those companies now bestow—an average of 667—didn't exist, either. Neither did hundreds of new products, scores of happy stockholders, a dozen novel ideas and trends, nor a handful of new millionaires. Nor, to be sure, a couple of instances of fiduciary excess, a scattering of chief executive resignations, a number of lawsuits, and the rest of the typical detritus that competitive commerce throws off—a small enough fee to enjoy the air-your-laundry-in-public wonder of free enterprise.

If there is a lesson in these pages for Russians and Czechs and other Johnnies-come-lately to a market economy, it's that for all the years they've wasted on systems that fizzled, the table of free and private enterprise remains bountiful. And that it's available to anyone with money to risk, energy to burn, hours to spend, a belief in him- or herself, and chutzpah enough to coax capital from people he has never met and never will.

That's the hard part. The rest is easier still, suggests this 1990 gathering, INC.'s 12th annual roundup. For example, the presence on the list of fast-food chain **Rally's** (#5) shows that you can beard giants in their kitchens and still gain a share of hamburger spoils. And you don't have to be seasoned in the ways of business to pull it off. IBM-PC clonemaker **Dell Computer** (#32) was founded in 1984 by a teenager who naïvely—but successfully—took on a huge corporation founded more than 70 years earlier.

And what's proffered for sale needn't be glamorous or pricey. Specialty retailer **Silk Greenhouse** (#31) has been on the INC. 100 for two consecutive years, simply through selling artificial flowers and genuine party favors. **Jean Philippe Fragrances** (#42) distributes and markets alternative perfumes; its Shangrila, a self-admitted rip-off of Shalimar, retails at K mart at a fraction of Shalimar's price. And what humbler endeavor is there than cashing checks and selling lottery tickets out of a storefront, as does **Supermail International** (#58)?

In the end, though, the most persuasive testimony to exactly how *free* free enterprise can get is the way products put out by one fast grower can be recirculated by another, allowing the latter to flourish just as fast. On the list for two straight years—following 30 straight centuries during which no other aspirant from its particular industry sector qualified—six-year-old **Cash America Investments** (#79) has twice occupied INC. 100 slots by dint of becoming what the company claims is the largest pawn-shop operation in the country. Now *there's* food for Eastern Bloc thought.

Other notes and observations from the 1990 INC. 100:

BUT WHAT DO THEY DO?

In a brief description, the list attempts to capture the essentials of what business each company is really in. Sometimes, though, far more than a scant line of type is required to do it justice. **Metro Mobile CTS** (#37), for example, is described herein as both a cellular phone service and seller of propane. How one endeavor ties in with the other might escape the uninitiated observer; to CEO George Lindemann, they're "entirely compatible. . . . Both are consistent with our long-standing preference to operate utilitylike businesses." Ironically, *he* may consider his setup utilitylike, but if INC. did, the company wouldn't have made the list: INC.'s criteria specifically exclude utilities.

When the market-driven company couldn't leave well enough alone with a line of nonaerosol spray containers, two-time listee **Selvac** (#47) moved into the personal-care market with a proprietary hair-removal device. Recently, it plunged into beauty parlors. Not only does that sequence follow the logic of complementary businesses, explains CEO Allan Borkowski, but the salons provide built-in consumer testing labs for untold lines of businesses to come.

Amerihost Properties (#67), on the other hand, had the good sense to change its corporate name at the same time it changed—quite markedly—its line of business. In 1987, as America Pop Inc., the company sold off a string of refreshment stands and began building motels.

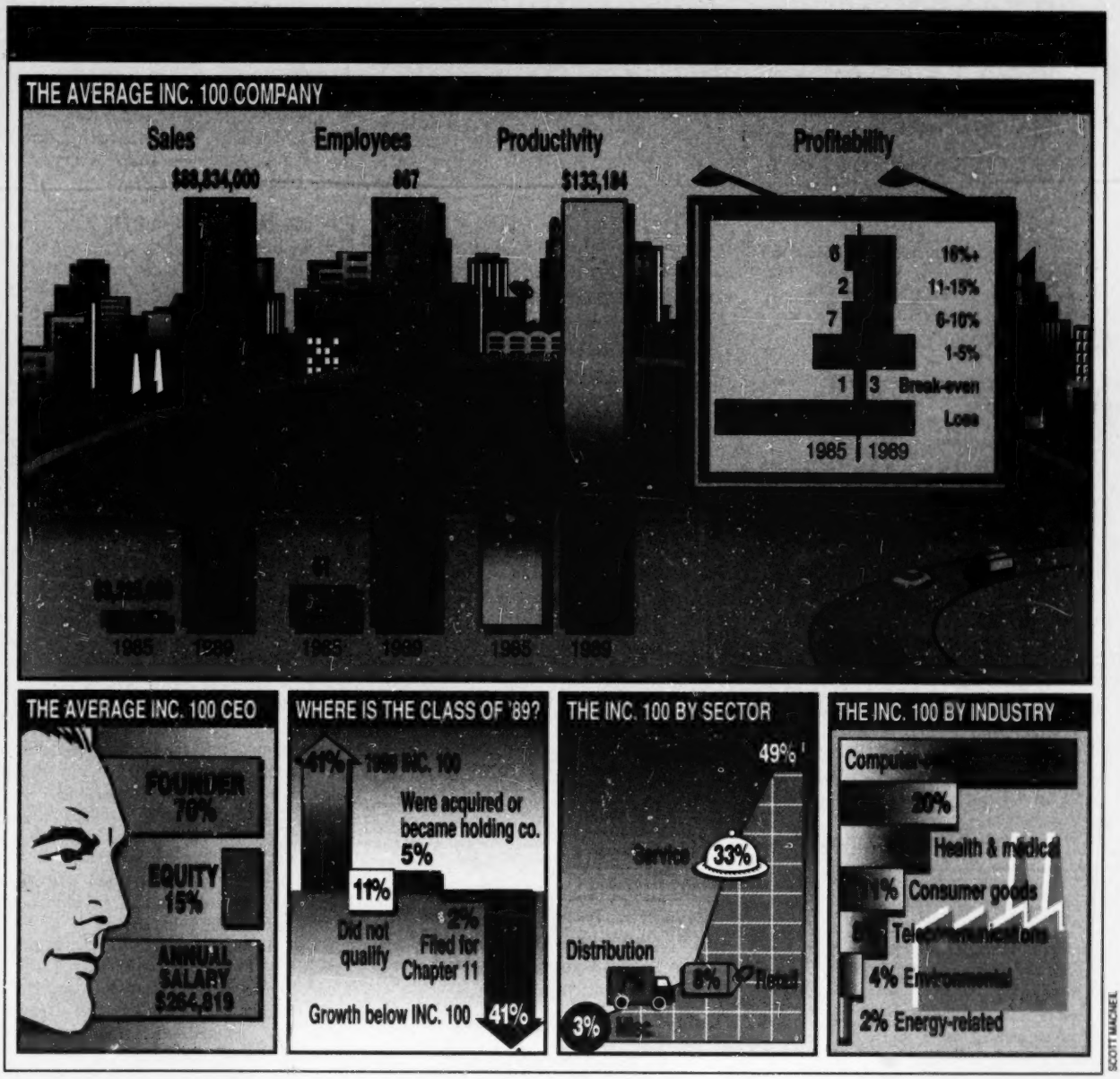
LOSS LEADERS

With 72 entries profitable and 3 breaking even in 1989, the list is little better or worse than usual. But 7 of the remaining 25 showed no profit in fiscal '89—nor did they post one in *any* of the four previous years. Of these perennial money losers, 3 are cellular phone services, an industry distinguished by odd arrangements that don't seem intended to yield profits in our lifetime.

The other 4:

■ **Infrasonics** (#59). After eight years this medical-equipment manufacturer has yet to post an annual profit, but president Jim Hitchin is starting to breathe easier. The company's line of respirators was developed in-house and is fully paid for. As a result, "all future revenues and profits will belong to the company and benefit our shareholders without having to share the profits with outside partners," he says. The company posted its first-ever profitable quarter in '89.

■ **CNS** (#76). For this eight-year-old venture-



SCOTT MACNEIL

backed manufacturer of brain-wave monitors, the transition from development to marketing was "a difficult maturation process," claims CEO Daniel Cohen, a doctor-turned-businessperson. There's hope for annual consistency: after nine consecutive quarters of record sales, in '88 CNS reported one quarter, anyway, of profit: a penny per share.

■ **FranchiseIt** (#77). Faced with negative earnings from a core business that focused on franchising activities for most of its seven years, the company up and bought an Israeli biotech concern last September. Why so distant and so seemingly unfranchiseable an acquisition? Investors may never know: at a special directors meeting less than two months later, its president resigned.

■ **Environmental Diagnostics** (#86). Depending mostly on equity placements for working capital since its founding in '83, this drug-detector manufacturer is still in transition from R&D stages. Again, that process is "seldom without delays and difficulties," explains CEO James D. Skinner. True, but a $500,000 proxy fight did little to foster shareholder patience: the stock was among the 100's worst performers (see box on the following page, "Fair to Middling").

MAKE-WORK

Anyone moved to question small business's importance as a job creator need only examine the list's top five employers, which provide jobs to more than 22,000 people. The leaders of '89: **Blockbuster Entertainment** (#14), 9,000 employees; **Oracle** (#50), 4,148; **Rally's** (#5), 4,000; **Healthsouth Rehabilitation** (#39), 3,000; and **Silk Greenhouse** (#31), 2,200.

The revenue per employee of this year's throng is $133,184, up an impressive $80,315 from its 1985 performance. The pace of the rise in productivity far exceeds the rate of inflation, suggesting that either—your choice—the labor force is working harder and more efficiently or that its employers have caught on to nonlabor-intensive sources of revenue such as joint ventures, international licensing, and subcontracted manufacturing. The 100's most productive employees: **Intelligent Electronics** (#27), 287 employees producing $2.5 million each in '89 sales; **Pentech International** (#82), 10 doing $2.3 million; **Action Staffing** (#57), 84 doing $1.5 million; **Selectronics** (#26), 27 doing $799,000; and **Entertainment Marketing** (#53) 280 doing $670,000.

COMING ATTRACTIONS?

The list's most identifiable trend is that con-

Inc. 100

FAIR TO MIDDLING

Relative stock performance: how the INC. 100 stack up

Every March, as sure as maple sap rises in maple trees, INC. evaluates the 12-month market performance of its latest crop of fast growers. Mathematically speaking, INC. performs this exercise by pretending to have invested $100 the previous year in the stock of every company on the new table. (Those that went public during the period—as did a baker's dozen this year—are "bought" at the price at which the IPO begins trading.)

On March 1, 1990, INC. "sold" its holdings, with the happy result that our initial $10,000 investment had grown to $11,165. That return (not adding in cash dividends, of which, of course, there are scant few in any INC. 100 list) nicely bettered its speculative brethren, the American Exchange Index and the NASDAQ Industrials, by more than two percentage points. However, the more conservative body of stocks as represented by the DJI and S&P averages solidly outdid INC.'s bunch.

Nearly as many stocks went up, 48, as went down, 50. And, compared with the past, 1990 was only moderately fecund: a mere 10 companies split their stocks 3-for-2 or more, all but 2 of those ending up among the list's gainers.

A relatively large number of issues—22—were selling for $2 or less on March 1, 1990. Of these, only 2 were on the rise, suggesting that a comparatively low price may adversely affect market performance. Fearing exactly that, 2 companies declared a reverse split, employing the tactic to propel their respective stock prices from well under to well over $2; both finished up the year among the gainers.

For all the nail chewing involved in watching 100 speculative stocks go up and down for 12 months, a 12% return isn't that much better than could have been squeezed out of T-bills.

Still, if the year proffered better opportunities than the majority of these stocks, it also hazarded far worse. Ask anyone who invested with Drexel Burnham Lambert. Or used to work there.

RELATIVE MARKET PERFORMANCE

Industrial Index	3/1/89	3/1/90	% Change
INC.	**100**	**112**	**+12.0**
DJIA	2,243	2,636	+17.5
S&P	331	383	+15.7
AMEX	322	354	+9.9
NASDAQ	394	432	+9.6

THE TEN BEST GAINS . . .

What $100 invested on 3/1/89 was worth on 3/1/90:

Company	
Software Toolworks (#73)	$321
AutoInfo (#38)	283
Occupational-Urgent Care Health Systems (#68)	280
Candela Laser (#94)	233
SynOptics Communications (#21)	207
Oracle (#50)	201
T² Medical (#12)	200
Silicon Graphics (#97)	193
Altera (#74)	188
Sequent Computer Systems (#36)	187

. . . AND THE TEN WORST LOSSES

What $100 invested on 3/1/89 was worth on 3/1/90:

Company	
FranchiseIt (#77)	$15
Supermail International (#58)	27
Environmental Diagnostics (#86)	28
Action Auto Rental (#85)	37
USMX (#62)	39
Measurement Specialties (#25)	39
CCAir (#93)	42[1]
Osicom Technologies (#8)	44
Symbol Technologies (#80)	47
Brite Voice Systems (#81)	48[2]

[1] first public 7/89; [2] first public 9/89

spicuous consumption has caught on well enough to spur fast growth among even small businesses. **Regency Cruises** (#48) books air and sea tours and operates steamships. **Vacation Publications** (#95) runs a travel club. For anyone electing to hang around near home, three companies fill idle hours: **Blockbuster Entertainment** (#14) rents videocassettes. **International Broadcasting** (#44) produces movies and traveling shows and operates amusement parks. **Entertainment Marketing** (#53) distributes consumer electronics, but—the start of another trend?—has abandoned its cable home-shopping service.

YOU'RE THE GREATEST

A selection of distinctions, the 1990 INC. 100 versus its predecessors:

- Youngest ever. A listee's average age is 8 years, significantly down from the early '80s, when it hovered between 12 and 13.
- Fewest oil- and/or gas-oriented. Only 2 are energy-related, compared with 25 in 1982, energy's heyday.
- Most computer-related companies.
- Once again, a company from Hawaii, Mississippi, Montana, North Dakota, or South Dakota has yet to make it.

DON'T BLAME US—WE JUST REPORT IT

Only 2% of America's fastest-growing small public companies are run by women: Marina Zazanis, president of **NMR of America** (#40), and Christine Umbertino, CEO of **Supermail International** (#58).

PUBLIC VS. PRIVATE

Comparing public-company profits with similar claims to the black side of the ledger by private companies is like comparing baldwins and granny smiths. It's apples with apples, all right, but the recipe is different: while public corporations stress profits, private entities tend to minimize them. Even so, in some categories the contrasts between the INC. 100 public companies and the top 100 companies from the latest INC. 500 private-company fast-growth list (see INC., December 1989) are sometimes surprising, if not definitive. (Bear in mind that INC.'s public companies may have been private right up to a month before the closing date for this year's list.)

For example, examining the profitability (net income after taxes divided by gross sales) of the two groups discloses more of a tendency toward negative earnings among public than private companies. In their base year, 64 of the former showed losses versus 50 of the latter; four years later 25 public companies posted losing figures, while only 10 private companies did.

Closer to expectations, 47 private companies told INC. their profitability in their final year was in the 1% to 5% range, while only 25 public companies reported so modest a ratio. At the other end of the tax collector's scale, 16 public companies boasted profitability of 16% or more, compared with only 12 private companies.

The average age of INC.'s public companies is steadily coming down, but the private group is similarly youthful; average public company age is 8, 9 for private companies. Yet in their first year reporting to INC., the average former outsells the average latter $3.2 million to $500,000. In the fifth reporting year, the percentage imbalance closes, $88.8 million to $27 million—which is to say either private companies grow faster than public companies, or their base-year bookkeeping was, let us say, a bit sloppy.

One other variance of note: the typical public-company CEO owns a token 15% of his or her company, the typical private CEO a commanding 53%. Who's better off? Sorry, an assessment of personal net worth is out of our reach. *—Robert A. Mamis*

Inc. 500

1990 RANK	COMPANY	1989 RANK	BUSINESS DESCRIPTION	SALES GROWTH (1985-1989) COMPOUND ANNUAL GROWTH	SALES GROWTH (1985-1989) PERCENT INCREASE	REVENUES ($000) 1989	REVENUES ($000) 1985
1.	**Network Equip. Technologies** (Redwood City, CA)		Mfrs. advanced communications products	413%	68,955%	$136,729	$198
2.	**Digital Microwave** (San Jose, CA)		Designs & mfrs. telecommunications products	325	32,561	65,976	202
3.	**Encore Computer** (Fort Lauderdale, FL)	95	Mfrs. & mkts. computer systs.	323	32,059	157,900	491
4.	**Cirrus Logic** (Milpitas, CA)		Mfrs. integrated circuits	312	28,705	36,870	128
5.	**Raily's** (Louisville, KY)		Operates drive-through restaurants	295	24,226	31,137	128
6.	**Brajdas** (Woodland Hills, CA)	30	Distr. electromechanical devices	270	18,665	62,863	335
7.	**Oxford Energy** (Santa Rosa, CA)	57	Operates power generation facilities	265	17,678	24,000[c]	135
8.	**Osicom Technologies** (Rockaway, NJ)	22	Distr. value-added peripheral products	253	15,440	108,003	695
9.	**Adtec** (San Antonio, TX)		Designs & assembles lock mechanisms	253	15,349	21,628	140
10.	**Digi International** (Minneapolis, MN)		Mfrs. data communications products	243	13,703	14,631	106
11.	**Medical Imaging Ctrs. of America** (San Diego, CA)		Provides diagnostic imaging svcs.	217	9,977	40,107	396
12.	**T² Medical** (Roswell, GA)		Provides medical equip. & training svcs.	215	9,786	38,358	388
13.	**Cellcom** (Fairfield, NJ)		Resells cellular telephones & svcs.	208	8,848	76,865	859
14.	**Blockbuster Entertainment** (Fort Lauderdale, FL)		Operates & franchises video rental stores	208	8,847	402,538	4,499
15.	**Random Access** (Denver, CO)		Resells microcomputers	198	7,761	21,853	278
16.	**Vencor** (Louisville, KY)		Provides care to chronically ill patients	197	7,638	54,400	703
17.	**Surgical Laser Technologies** (Malvern, PA)		Mfrs. surgical lasers	195	7,468	22,628	299
18.	**Communication Cable** (Siler City, NC)		Mfrs. specialty electronic cables	195	7,440	22,167	294
19.	**Zeos International** (St. Paul, MN)		Mfrs. personal computers	191	7,119	37,393	518
20.	**Rocking Horse Childcare Centers** (Cherry Hill, NJ)		Operates day-care centers	186	6,567	25,200	378
21.	**SynOptics Communications** (Mountain View, CA)		Mfrs. network systs.	184	6,411	77,289	1,187
22.	**Egghead Discount Software** (Issaquah, WA)		Sells personal computers & software	183	6,292	342,427	5,357
23.	**Cabletron Systems** (Rochester, NH)		Mfrs. & mkts. LAN products	182	6,219	54,785	867
24.	**L.A. Gear** (Marina del Rey, CA)	62	Designs, imports, & distr. footwear	176	5,674	617,080	10,687
25.	**Measurement Specialties** (Fairfield, NJ)	63	Mfrs. & sells digital measurement products	167	5,014	15,803	309
26.	**Selectronics** (Minneapolis, MN)	49	Mfrs. & mkts. electronic reference products	166	4,919	21,581	430
27.	**Intelligent Electronics** (Exton, PA)	100	Distr. microcomputers	166	4,889	711,671	14,266
28.	**Teradata** (Los Angeles, CA)	1	Mfrs. & mkts. computers	164	4,756	137,411	2,830
29.	**Vanguard Cellular Systems** (Greensboro, NC)		Owns & operates cellular telephone systs.	159	4,408	46,613	1,034
30.	**Symantec** (Cupertino, CA)		Mfrs. & distr. software	159	4,407	33,886	885
31.	**Silk Greenhouse** (Tampa, FL)	43	Mfrs. & sells silk flowers & party goods	154	4,089	55,211	1,318
32.	**Dell Computer** (Austin, TX)		Designs & mfrs. IBM-compatible PCs	154	4,062	257,810	6,195
33.	**Aldus** (Seattle, WA)		Mfrs. & mkts. desktop publishing software	150	3,833	87,853	2,234
34.	**American Power Conversion** (Peace Dale, RI)	40	Mfrs. computer power supply products	146	3,562	35,410	967
35.	**Molecular Biosystems** (San Diego, CA)		Mfrs. ultrasound imaging agents	146	3,549	8,867	243
36.	**Sequent Computer Systems** (Beaverton, OR)	6	Mfrs. computer systs.	141	3,266	145,560	4,325
37.	**Metro Mobile CTS** (New York, NY)		Operates cellular telephone svcs./sells propane	138	3,122	111,295	3,454
38.	**AutoInfo** (Maywood, NJ)		Provides communications & database svcs.	135	2,965	6,007	196
39.	**Healthsouth Rehabilitation** (Birmingham, AL)	11	Provides physical rehabilitation svcs.	134	2,900	149,211	4,973
40.	**NMR of America** (Morristown, NJ)		Installs & maintains medical imaging systs.	133	2,832	15,567	531
41.	**Dallas Semiconductor** (Dallas, TX)		Mfrs. integrated circuits	133	2,831	82,209	2,805
42.	**Jean Philippe Fragrances** (New York, NY)		Distributes fragrances	133	2,826	5,500[c]	188
43.	**Dynatronics Laser** (Salt Lake City, UT)		Mfrs. & mkts. medical devices	128	2,603	7,407	274
44.	**International Broadcasting** (Minneapolis, MN)	14	Produces & manages family entertainment	127	2,543	86,045	3,256
45.	**Adobe Systems** (Mountain View, CA)	44	Develops & mkts. software	127	2,536	121,358	4,604
46.	**Automobile Protection** (Atlanta, GA)		Provides financial & administrative svcs.	127	2,535	10,908	414
47.	**Selvac** (Dresher, PA)	87	Mfrs. continuous-spray systs.	126	2,530	10,703	407
48.	**Regency Cruises** (New York, NY)		Operates cruise line	126	2,504	124,823[c]	4,794
49.	**Hunter Environmental Services** (Southport, CT)		Provides environmental consulting svcs.	125	2,472	108,108	4,204
50.	**Oracle** (Belmont, CA)	74	Mfrs. & mkts. database software	124	2,420	583,673	23,159

c: company estimate; i: INC. estimate; 9: nine-month figure; 88: 1988 figure; NA: not available

NET INCOME ($000) 1989	NET INCOME ($000) 1985	NO. EMPLOYEES 1989	NO. EMPLOYEES 1985	YEAR FOUNDED	YEAR PUBLIC	NO. ACQUISITIONS	CEO	CEO SALARY	CEO FOUNDER	CEO EQUITY
$15,963	($6,193)	1,043	97	1983	1987	1	Bruce Smith	$465,260	Y	2.0%
11,576	(1,878)	323	22	1984	1987	0	William Gibson	210,583	Y	6.9
(31,900)	(23)	1,860	250	1983	1985	1	Kenneth Fisher	300,000	Y	12.2
4,059	(759)	178	18	1984	1989	0	Michael Hackworth	231,087	Y	2.1
1,835	(252)	4,000	30	1984	1989	9	Richard Sherman	398,000	N	1.1
2,034	4,930	240	25	1979	1981	0	Donald Zimmerman	0	N	50.0
1,009[a]	(166)	230	15	1984	1986	6	Robert Colman	243,000	Y	6.0
(2,977)	21	164	6	1981	1987	0	Parvinder S. Chadha	132,124	Y	28.0
226	(664)	150	30	1984	1987	1	Sam Youngblood	150,000	Y	18.0
2,826	(30)	62	8	1985	1989	0	John Schinas	128,035	Y	24.4
4,009	(2,005)	386	63	1981	1984	2	Antone Lazos	151,715[bb]	Y	5.6[bb]
7,929	33	284	33	1984	1988	30	Thomas E. Haire	257,000	Y	5.0
(662)	(268)	164	6	1983	1984	0	Jay Brown	500,000	Y	34.3
44,152	(538)	9,000	400	1983	1983	1	H. Wayne Huizenga	0	N	12.5
484	34	70	1	1984	1988	2	Bruce Milliken	98,000	Y	75.0
813	(71)	804	89	1984	1989	9	W. Bruce Lunsford	175,962	Y	21.0
1,212	(1,536)	66	15	1983	1989	0	David Joseph	150,981	N	6.5
1,103	13	160	24	1984	1986	1	James Fore	130,000	Y	7.1
1,687	(71)	219	27	1981	1987	0	Gregory Herrick	55,000	Y	53.0
500	(957)	1,800	80	1982	1985	21	Douglas Carneal	186,000	N	5.0
9,444	485	404	10	1985	1988	0	Andrew Ludwick	155,500	Y	4.7
(12,089)	(433)	1,955	75	1984	1988	0	Stuart M. Sloan	1	N	3.7
11,779	(4)	654	19	1983	1989	0	S. Robert Levine	52,000	Y	37.0
55,059	333	1,100	30	1979	1986	0	Robert Greenberg	5,000,000	Y	18.3
1,856	(428)	201	60	1981	1986	0	Donald Weiss	165,000	N	14.9
45	(338)	27	5	1983	1983	0	Michael Weiner	135,000	N	1.0
10,571	450	287	27	1982	1987	0	Richard Sanford	311,526	Y	17.6
16,285	(12,795)	1,312	175	1979	1987	0	Kenneth W. Simonds	333,487	N	1.3
(6,407)	(2,510)	575	75	1984	1988	0	Haynes G. Griffin	227,000	Y	5.4
3,157	(4,347)	240	40	1982	1989	3	Gordon Eubanks Jr.	131,175	Y	4.5
3,700	46	2,200	50	1982	1988	1	Jere Bradwell	238,978	Y	19.9
14,428	32	1,600	39	1984	1988	0	Michael Dell	440,000	Y	57.4
15,494	518	530	35	1984	1987	0	Paul Brainerd	257,693	Y	29.0
6,025	(46)	225	9	1981	1988	0	Rodger Dowdell	220,000	Y	13.8
2,212	(1,140)	105	25	1981	1983	0	Kenneth J. Widder	513,050	Y	5.4
16,018	(7,765)	1,100	110	1983	1987	0	Casey Powell	198,000	Y	2.6
(46,590)	(5,130)	930	48	1982	1986	0	George L. Lindemann	502,500	Y	38.9
639	(528)	35	8	1976	1986	0	Jason Bacher	100,000	Y	6.0
8,147	(1,548)	3,000	300	1984	1986	20	Richard Scrushy	390,000	Y	11.0
1,201	(1,115)	75	19	1982	1983	1	Marina Zazanis	52,000	N	16.6
11,121	(5,291)	589	99	1984	1987	0	Vin Prothro	250,000	Y	11.0
500[c]	7	16	2	1985	1988	0	Jean Madar	140,000	Y	30.0
703	(449)	38	5	1980	1983	0	Kelvyn Cullimore	159,589	Y	39.4
(6,083)	(1,373)	872	55	1982	1983	0	Thomas Scallen	311,000	Y	16.0
33,706	496	383	42	1982	1986	0	John Warnock	320,609	Y	3.6
189	3	34	6	1984	1988	0	Larry Dorfman	126,000	Y	15.2
1,325	(1,419)	60	12	1982	1983	1	Allan Borkowski	125,000	Y	4.6
5,462[a]	(1,268)	554	140	1984	1985	1	William Schanz	294,000	Y	8.0
(1,662)	(158)	1,500	30	1983	1986	7	Kirtland Gardner	150,000	N	1.0
81,766	1,551	4,148	239	1977	1986	0	Lawrence Ellison	1,734,375	Y	27.2

Inc. 500

1990 RANK	COMPANY	1989 RANK	BUSINESS DESCRIPTION	SALES GROWTH (1985-1989) COMPOUND ANNUAL GROWTH	SALES GROWTH (1985-1989) PERCENT INCREASE	REVENUES ($000) 1989	REVENUES ($000) 1985
51.	**Canterbury Educational Services** (Medford, NJ)	28	Operates vocational schools & seminars	123%	2,387%	$10,021	$403
52.	**Vestro Foods** (Newport Beach, CA)	39	Mfrs. specialty foods	122	2,348	20,100	821
53.	**Entertainment Marketing** (Houston, TX)	20	Distr. computer peripherals & electronics	120	2,253	187,512	7,970
54.	**Octel Communications** (Milpitas, CA)	2	Mfrs. & mkts. voice processing systs.	120	2,252	87,179	3,707
55.	**HealthCare Compare** (Downers Grove, IL)		Implements health-care cost-mgmt. svcs.	120	2,223	31,458	1,354
56.	**Komag** (Milpitas, CA)		Mfrs. thin-film disks for Winchester drives	119	2,203	84,638	3,675
57.	**Action Staffing** (Tampa, FL)		Provides employee leasing svcs.	119	2,202	126,974	5,515
58.	**Supermail International** (Sacramento, CA)		Provides electronic transmission & financial svcs.	119	2,201	2,508[e]	109
59.	**Infrasonics** (San Diego, CA)		Mfrs. hospital equipment	117	2,123	5,402	243
60.	**CyberOptics** (Minneapolis, MN)		Designs & mfrs. laser sensors & systs.	117	2,106	3,971	180
61.	**Universal Medical Buildings** (Milwaukee, WI)		Develops health-care facilities	116	2,090	78,000[e]	3,561
62.	**USMX** (Lakewood, CO)		Explores & mines minerals	116	2,088	14,700[e]	672
63.	**Centex Telemanagement** (San Francisco, CA)	4	Provides telecommunications mgmt. svcs.	115	2,042	82,829	3,867
64.	**Rainbow Technologies** (Irvine, CA)	67	Mfrs. software security devices	113	1,968	11,500[e]	556
65.	**Calgene** (Davis, CA)	78	Produces agricultural biotechnology products	113	1,944	30,206	1,478
66.	**Everex Systems** (Fremont, CA)	12	Mfrs. personal computers	112	1,908	377,272	18,790
67.	**Amerihost Properties** (Des Plaines, IL)		Builds motels	110	1,852	6,559	336
68.	**Occup.-Urgent Care Health** (Sacramento, CA)	79	Provides medical cost-containment programs	110	1,851	17,868	916
69.	**Babbage's** (Dallas, TX)	64	Operates software franchise chain	110	1,843	58,750	3,024
70.	**CMS Enhancements** (Tustin, CA)	15	Produces data storage devices & accessories	110	1,837	200,385	10,343
71.	**Kimmins Environmental Service** (Tampa, FL)	98	Provides environmental svcs.	109	1,806	107,226	5,627
72.	**Neeco** (Canton, MA)	60	Mkts. & sells PCs & computer products	109	1,803	180,313	9,475
73.	**Software Toolworks** (Chatsworth, CA)		Develops & produces software	108	1,761	11,800	634
74.	**Altera** (Santa Clara, CA)	17	Mfrs. & mkts. computer-aided eng. systs.	104	1,638	58,868	3,388
75.	**Catalina Lighting** (Miami, FL)	96	Designs, imports, & distr. lighting & ceiling fans	103	1,595	54,568	3,220
76.	**CNS** (Eden Prairie, MN)		Mfrs. & mkts. brain-wave monitoring systs.	102	1,559	6,057	365
77.	**Franchisett** (Bohemia, NY)		Provides franchise consulting svcs.	101	1,526	3,999	246
78.	**Vitalink Communications** (Fremont, CA)		Mfrs. data communications products	100	1,512	57,164	3,546
79.	**Cash America Investments** (Fort Worth, TX)	37	Owns & operates pawnshops	100	1,498	87,565	5,479
80.	**Symbol Technologies** (Bohemia, NY)		Mfrs. laser to scan & process bar codes	100	1,497	222,346	13,927
81.	**Brite Voice Systems** (Wichita, KS)		Mfrs. voice response systs.	99	1,476	15,631	992
82.	**Pentech International** (Edison, NJ)	10	Mfrs. & mkts. drawing instruments	98	1,422	23,024	1,513
83.	**IDB Communications Group** (Culver City, CA)		Supplies satellite communications svcs.	97	1,415	59,474[e]	3,926
84.	**Identix** (Sunnyvale, CA)		Mfrs. computerized verification terminals	97	1,410	1,872	124
85.	**Action Auto Rental** (Solon, OH)	13	Provides short-term auto rental svcs.	97	1,398	98,468	6,573
86.	**Environmental Diagnostics** (Burlington, NC)		Develops test for hazardous materials in foods	96	1,374	2,800[e]	190
87.	**Comptronix** (Guntersville, AL)		Provides manufacturing svcs. to electronics cos.	96	1,364	42,420	2,898
88.	**EnClean** (Alvin, TX)		Provides environmental svcs.	94	1,319	37,300	2,628
89.	**Nationwide Cellular Service** (Valley Stream, NY)	9	Sells, rents, & svcs. cellular telephones	94	1,305	72,606	5,168
90.	**MicroEnergy** (Carol Stream, IL)		Mfrs. switching supplies	92	1,247	5,590	415
91.	**Magic Yrs. Child Care & Learn. Ctrs.** (Plains, PA)	58	Operates day-care centers	91	1,231	7,800[e]	586
92.	**Verdix** (Chantilly, VA)		Mfrs. software tools	91	1,221	9,512	720
93.	**CCAir** (Charlotte, NC)		Provides regional airline svcs.	90	1,194	60,061	4,643
94.	**Candela Laser** (Wayland, MA)		Mfrs. lasers for medical & scientific applications	89	1,170	18,219	1,435
95.	**Vacation Publications** (Houston, TX)		Operates travel club/publishes magazine	89	1,165	2,568	203
96.	**One Price Clothing Stores** (Duncan, SC)	16	Operates chain of women's clothing stores	88	1,147	88,754	7,117
97.	**Silicon Graphics** (Mountain View, CA)	55	Mfrs. 3-D computer graphic systs.	87	1,124	263,776	21,546
98.	**First American Health Concepts** (Mesa, AZ)		Provides health-care cost-containment programs	86	1,096	2,476	207
99.	**Tech Data** (Clearwater, FL)	68	Distr. microcomputers & hardware products	86	1,090	246,729	20,734
100.	**Autodesk** (Sausalito, CA)	31	Mfrs. & mkts. drafting software	86	1,088	117,302	9,874

c: company estimate • INC. estimate 9: nine month figure 88: 1988 figure N/A: not available

NET INCOME ($000)		NO. EMPLOYEES		YEAR	YEAR	NO	CEO	CEO	CEO	CEO
1989	1985	1989	1985	FOUNDED	PUBLIC	ACQUISITIONS		SALARY	FOUNDER	EQUITY
($621)	($19)	169	3	1981	1986	4	Stanton Pikus	$104,000	Y	23.0%
(168)[a]	(586)	180	16	1947	1965	2	Alfred Strogoff	150,000	N	10.0
(10,711)	100	280	30	1982	1985	0	Elias Zinn	84,000	Y	27.0
11,798	(3,332)	793	108	1982	1988	0	Robert Cohn	233,913	Y	3.0
1,948	(828)	474	20	1982	1987	1	James Smith	367,229	Y	4.9
(6,061)	(6,041)	1,331	125	1983	1987	1	Stephen Johnson	198,750	N	2.6
585	75	84	35	1984	1987	0	Lawrence Jones	201,601	Y	1.7
(886)	(302)	71	10	1979	1985	0	Christine Umbertino	80,000	N	5.0
(154)	(1,060)	74	12	1982	1984	0	Jim Hitchin	109,000	Y	8.1
472	12	30	4	1984	1987	0	Steven Case	95,000	Y	12.0
(3,369)[b]	768	135	40	1984	1984	0	Joseph W. Checota	200,000	Y	45.7
2,300[c]	(96)	64	15	1979	1980	1	Gregory Pusey (acting)	150,000	Y	34.0
7,018	(1,669)	290	70	1983	1987	1	Peter Howley	375,000	N	3.0
1,700[c]	(100)	54	5	1982	1987	0	Walter Straub	190,000	Y	13.0
(6,812)	(4,335)	280	92	1980	1986	4	Roger Salquist	183,365	N	2.1
21,251	904	1,945	111	1983	1987	4	Steve Hui	123,883	Y	7.2
7	(101)	17	5	1984	1985	0	Michael P. Holtz	90,000	N	2.9
3,625	(1,058)	270	42	1982	1984	1	James Cameron	144,000	Y	24.0
2,772	(557)	315	25	1983	1988	0	Gary Kusin	180,000	Y	8.6
4,804	120	515	60	1983	1986	3	Jim Farooquee	174,000	Y	12.6
3,860	103	1,000	150	1972	1986	0	Francis M. Williams	150,000	Y	70.0
6,236	565	397	51	1982	1986	1	Robert Crowell	275,000	Y	9.8
2,109	5	160	5	1980	1988	0	Leslie Crane	220,000	N	20.0
10,761	(4,473)	290	67	1983	1987	0	Rodney Smith	150,000	N	3.5
2,589	83	82	6	1974	1988	2	John Browder	314,000	N	1.5
(594)	(1,334)	58	20	1982	1987	0	Daniel Cohen	108,000	Y	9.0
(1,296)	(174)	95	5	1983	1984	3	Lawrence Costello	120,000	N	0.0
12,549	(1,102)	265	155	1980	1988	3	George Archuleta	195,215	N	3.8
7,002	157	600	30	1983	1987	98	Jack Daugherty	273,600	Y	4.0
18,967	518	1,800	152	1973	1980	0	Jerome Swartz	709,538[bb]	Y	4.3[bb]
2,804	(205)	95	6	1984	1989	0	Stanley Brannan	200,000	Y	31.4
2,940	53	10	6	1984	1985	0	Norman Melnick	200,000	Y	20.0
1,749[c]	703	285	30	1983	1986	3	Jeffrey Sudikoff	350,000	Y	26.0
(2,543)	(1,375)	40	20	1982	1985	3	Randy Fowler	114,000	Y	14.0
5,572	418	1,156	172	1984	1987	2	Craig Hons	125,000	Y	8.0
(2,500)	(1,898)	46	15	1983	1984	2	James Skinner	135,000	N	2.6
1,470	(274)	500	200	1984	1989	0	William Hebding	115,000	Y	11.3
598	210	1,000	100	1984	1989	2	Malcolm Waddell	120,000	Y	10.0
(7,817)	(812)	350	20	1984	1986	0	Stephen Katz	273,672	N	6.0
(687)	(1,796)	136	90	1983	1984	1	Robert Gatza	125,100	Y	19.5
(959)[d]	(137)	725	100	1983	1984	0	Mark Klein (acting)	NA	N	NA
1,491	(1,980)	78	40	1982	1983	0	E. Gary Clark	129,000	N	1.0
2,094	(2,401)	668	86	1994	1989	0	Roy Hagerty	90,000	Y	7.9
(3,820)	60	158	21	1970	1986	0	Horace Furumoto	115,000	Y	13.0
(218)	(246)	35	8	1983	1986	0	R. Alan Fox	76,500	Y	10.0
3,839	585	629	200	1984	1987	0	Henry D. Jacobs	254,182	Y	33.0
11,490	(4,833)	1,483	238	1981	1986	0	Edward McCracken	306,000	N	2.2
336	(183)	21	6	1981	1985	0	Joseph Kent Massey	60,000	N	8.5
7,861	511	426	79	1974	1986	1	Steven Raymund	250,000	N	26.5
32,695	1,626	576	130	1982	1985	4	Alvar Green	233,303	N	1.0

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Inc. 100

HOW THE INC. 100 ARE SELECTED

The 1990 INC. 100 is the 12th annual ranking of the 100 fastest-growing small publicly held companies in America.

Companies are ranked by the percentage increase in total revenues (or net sales) between 1985 and 1989. This year the chart (see page 38) shows both compound annual growth and the five-year growth figure.

■ To be considered for the INC. 100, each company must meet the following criteria:

1. The company is an independent corporation, not a subsidiary or division of another company. Regulated banks and utilities and holding companies are excluded.

2. The company was publicly held before the end of fiscal year 1989.

3. The company shows an operating/sales history of at least five years.

4. The company's 1989 revenues exceeded 1988 revenues. Companies with growth over the five-year period but a decline in 1989 revenues are excluded.

5. The company's 1985 revenues were at least $100,000 but not more than $25 million.

6. The company's stock was trading for at least $1 per share on March 1, 1990.

■ The INC. 100 research staff used company prospectuses, 10-Ks, and annual reports to maintain our database of publicly held smaller companies. Using audited financial statements, researchers then ranked the companies.

■ An editorial team led by special projects editor Sara Baer-Sinnott and assistant research editor Deborah L. Weeks selected the 1990 INC. 100. The research was conducted by researchers Susan Greco, Lisa D. Royal, and Tait Wardlaw, and intern Doug Schnitzspahn. Additional research was provided by interns Tara Crawford, Chris Forman, Steve Gongola, Amy Havel, Marika Holmgren, and Cinda Jones.

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Inc. 500

THE DARK SIDE

Will your worst fears about going public come true? INC. 100 CEOs address what your advisers won't talk about

BY JOSHUA HYATT

Nobody wants to talk about what it's really like. For a reason. Few entrepreneurial dreams are as seductive as the one about taking your company public. It promises riches and fame (or at least operating capital and marketplace recognition), not to mention the satisfactions of a mission accomplished.

But then there's the dark side.

What happens after the underwriter has held the closing dinner, after the road show has made its final stop, after investors have, you hope, oversubscribed? There you are, having crossed onto alien turf without a guide. You're public. Suddenly you're being interrogated by pointy-headed strangers, hemmed in by unfamiliar rules, cut off from opportunities you once took for granted. Your company is harder to recognize, and so are the threats to it. The feared result? You'll be out of control. Even if you're still the boss, the company you loved will be gone.

The fears are not farfetched—just check the business pages. Post a bad quarter, and Wall Street crawls all over you; post a couple more, and your own board crawls all over you. Takeover artists woo your shareholders if your stock price sinks (dragging your net worth down with it), and lawyers woo them if there's a misstep in your press releases. You fight back, of course, but all those arcane rules are dictating what you can say, when you can sell, whom you can talk to. And just when you think the trouble is dodged, some analyst gets hold of that confidential memo about the possibility of a $400,000 write-down. "I feel like a squirrel in a carousel," says George Archuleta, chief executive of Vitalink Communications Corp., public since 1988. "I just keep running."

Of course, a successful offering can still be the best way to raise a lot of capital. The benefits of going public are obvious and real. But so, unfortunately, are the consequences you're afraid of. Consider this: though more than half of the INC. 100's chief executives planned on going public from day one and should have been prepared for its effects, quite a few were surprised when their biggest fears came true. Their discoveries haven't prompted a flight from publicly traded life. But they have led the CEOs in the following pages to shout back across the gulf that separates private from public and describe the reality of the other side. They knew being public would be different, but like witnesses at a trial, they didn't grasp the power of the oath until they took the stand.

Below, testimony about the fears of managing in public—from CEOs who remember what being private was like.

I Won't Be an Entrepreneur Anymore

John Schinas doesn't want sympathy. But the president and CEO of **Digi International Inc.** (#10), a maker of data-communications equipment, does mourn the freedom he once had. "You can move on a lot of hunches when you are a private company," he explains. "Not that I regret being successful, but going public has put some constraints on us."

It didn't take long for Schinas to get the message. Within a month or two of going public last October, he approached his lawyers about an acquisition he had in mind. Hold everything, said the lawyers. The IPO prospectus doesn't provide a description of the proposed acquisition; you can't use the offering's proceeds to pursue it. "When you think you've got a good deal, and you can't make it," says Schinas, "it's frustrating."

For more than three months after the offering, Schinas's lawyers discouraged him from taking any action that had not been fully disclosed in the prospectus. Make any surprise moves with that money you've just raised, they warned, and it'll look like you misled investors about your plans. The likely result: class-action suits aplenty. "Who knows what opportunities came and went during that quiet time?" says Schinas. "As they came up, our lawyers would say, 'You can't consider those things at this time.' " Even now Schinas shelves new-product ideas almost as quickly as he comes up with them. "We discuss them at board meetings, then we put them on the back burner. Otherwise, shareholders would think we were reckless with their money," he says. "We take a lot more into consideration." Monthly board meetings have stretched from three-hour bull sessions to "deeper talks" lasting at least five hours.

If Schinas sounds like a man who'd be happier to appear on the INC. 500—our ranking of the fastest-growing private companies—he explains that going public was less the fulfillment of a personal dream than the consequence of a necessary vow. "There wasn't much choice for me, since I promised I would make my original shareholders liquid in three years," says the 52-year-old. "I wouldn't advise companies to go public unless they absolutely need the money, and that is the only way to raise it."

Still, he finds the level of accountability "much harder to deal with" than he expected. When he approached board members about needing more space, for instance, they questioned him intently about his proposal to buy a building that they felt was inappropriate for the company's needs. Eventually they encouraged him to lease space rather than end up, as so many fast growers

do, in the real-estate business. "Forget about buying a lot of extras," says Schinas. "You get exactly what you need."

Not that he's complaining. "It's much easier to run a private company," he admits. "But we are where we are. There's no use thinking about it."

I'll Embarrass Myself on the Road Show

Here were his two choices, as Jeffrey Sudikoff saw them: come across as bland, or completely confuse everyone.

Either way, he wasn't likely to build much anticipation for **IDB Communications Group Inc.**'s (#83) offering in 1986. Like any chairman and CEO, Sudikoff wanted to price IDB's shares as high as possible. But he was having a hard time imagining how he could turn satellite-transmission services into a real spine tingler. "The Wall Street community wants to feel good about what it invests in. It wants to be hyped," says Sudikoff, 34. "But ours was a company that was very difficult to explain. Our technology is normally invisible."

Eager for ideas on livening up his road show, Sudikoff could think of only one way to help himself: watch other road shows. He asked his banker to inform him when companies were coming through town. He sat through three or four. "It was valuable to sit in the audience and listen to the way the buy-side people reacted," he says. "They perked up only at certain things. They really weren't interested in a lot of detail."

Sudikoff, on the other hand, didn't miss a nuance. Listen, he told his managers after sitting through one presentation, we've got to get some slides showing figures on the total market for data communications. Not that there was a reliable number—nor one that was even relevant to IDB's particular segment. "But *overall market size* was a buzzword, and they wanted to see a number," says Sudikoff. "Especially, they wanted to see a big number."

Sudikoff also learned the value of a gimmick that folksingers have exploited for eternity: audience participation. "I noticed you could sort of lead your audience to do some mathematics," he says. Tell them, for instance, the unit price, the number of units you could sell, and the price growth; then sit back and watch as they reach for their calculators to figure out the upside. "It was better than doing the math for them," he says. "Invariably, one would stand up and say, 'Well, according to those figures, the potential market would be such and such.' Then you say, 'Well, I haven't done the math, but I suppose it would work out that way.' It keeps them interested and entertained."

When he talked about IDB's relationship with *The Chicago Tribune*—"I only mentioned identifiable customers," he says—Sudikoff would trace all the work IDB has done; then let his

FIRST PERSON

LIVING YOUR STOCK PRICE

"The first time we were listed on NASDAQ was very exciting. I went to a brokerage near my house and plugged in my stock symbol. There it was. I had purposely parked a long way away, and walking back to the car, I just had this big smile on my face. I had been a finance major in college, and I remembered sitting in one of my classes, with long hair, thinking, 'What I want to do someday is have my own public company.' Now, I could sit and calculate how each sixteenth-of-a-point move added another $200,000 to my net worth.

"That lasted about a day. Then everything else took hold. Last August we started working to do a bigger offering. By October three underwriters were ready to do a secondary, and my wife and son and I decided, 'Let's take a half day on Friday and go to Aspen and relax a little bit.' We were listening to the news when the market started plunging. I called my underwriter. 'It's brutal,' he said. On Monday our stock went down half a point. I got the calculator out and figured my net worth had just dropped almost $1.5 million in a day. I was pretty down.

"I got over it. This was only a minicrash. I think it must be very depressing to see your $6 million go to $2 million in a week's time, which I knew happened to a lot of people. When you're succeeding as a public company, you feel like you're living the American dream. But if you can't learn to live with the swings, they will drive you nuts."

—Bruce Milliken, CEO, Random Access Inc. (#15), Denver

THE BAD NEWS

What's the downside to being public?

According to INC. CEOs who answered the question, the most troubling consequences are:

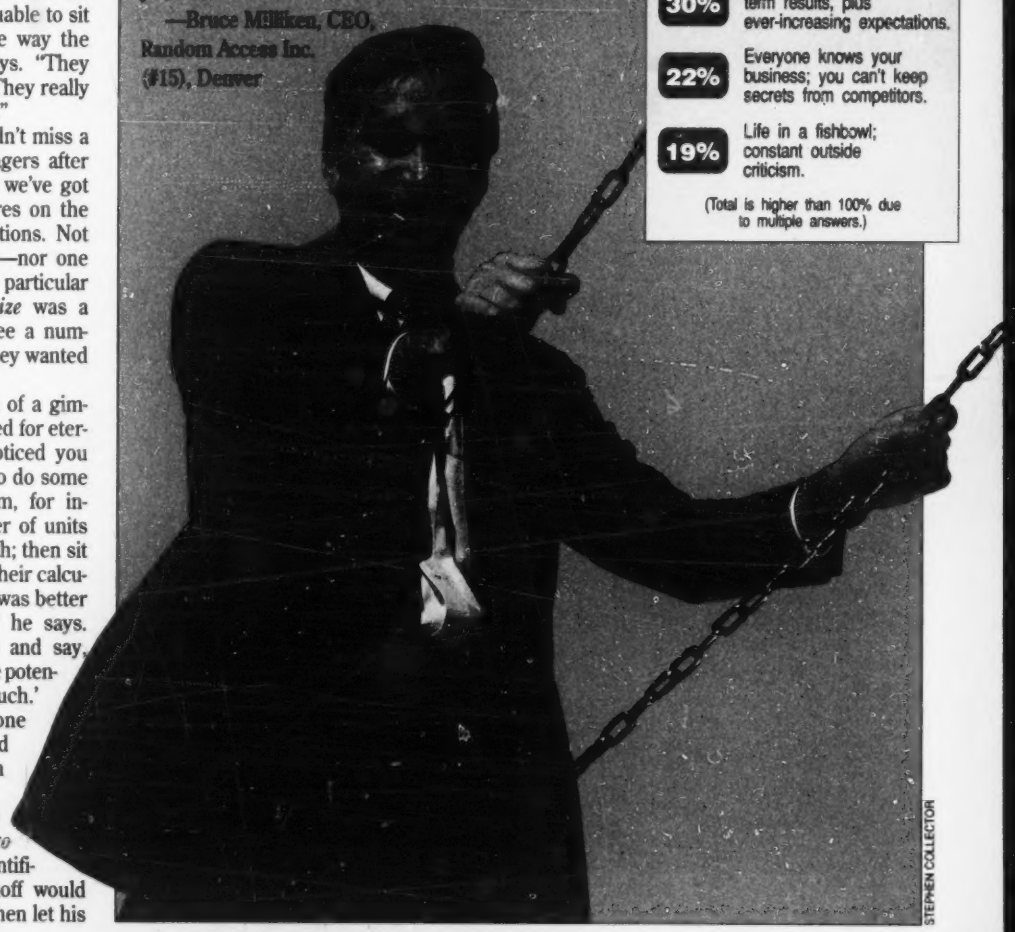
42% Cost in time and money of dealing with Wall Street and shareholders.

30% Emphasis on short-term results, plus ever-increasing expectations.

22% Everyone knows your business; you can't keep secrets from competitors.

19% Life in a fishbowl; constant outside criticism.

(Total is higher than 100% due to multiple answers.)



STEPHEN COLLECTOR

Inc. 100

FIRST PERSON

BELIEVE IN ME

"When I told people I planned to take my 37 pawnshops public, they told me I was crazy. They just kind of snickered.

"I know pawnshops have a bad reputation left over from the Depression, so we made sure our merchandise was well displayed, our stores departmentalized, brightly lit, and clean. We had nice signs and good locations. Our managers wore ties and were clean shaven. Until we got the company profitable, we didn't have time to work on polishing our image any more than that. Right before we went public, we started working on the image. We don't have a PR staff and we never needed one.

"I just told my story. I let people know we had nothing to hide. With the media, you get one person interested and it's like an avalanche. An investment banker who had seen our prospectus called and said, 'You've got a lot of nerve taking pawnshops public.' And *Forbes* ran a blurb expressing disbelief about our IPO and called it 'Profit from Misery.' Our chief financial officer, Clifton Morris, wrote to the magazine saying, 'Don't have contempt prior to investigation.' The magazine printed the letter and later wrote something very positive.

"Soon it seemed like every time I picked up the phone, someone would say, 'I never heard of a pawnshop going public before.' So I'd invite them to come take a look. In our first two years as a public company, we were written up in *Fortune*, *Newsweek*, *Esquire*, and *Business Week*, and we were on the three major networks and CNN. They come down here and they see we're not guys with garters around our arms and eyeshades. It's a contagious situation.

"Now, some newspaper or TV station calls us every quarter. The publicity has been distracting, but it has helped in our quest to overcome that negative image. We've taken the time to properly explain things and make our point. That's why I've taken the time to talk to you today."

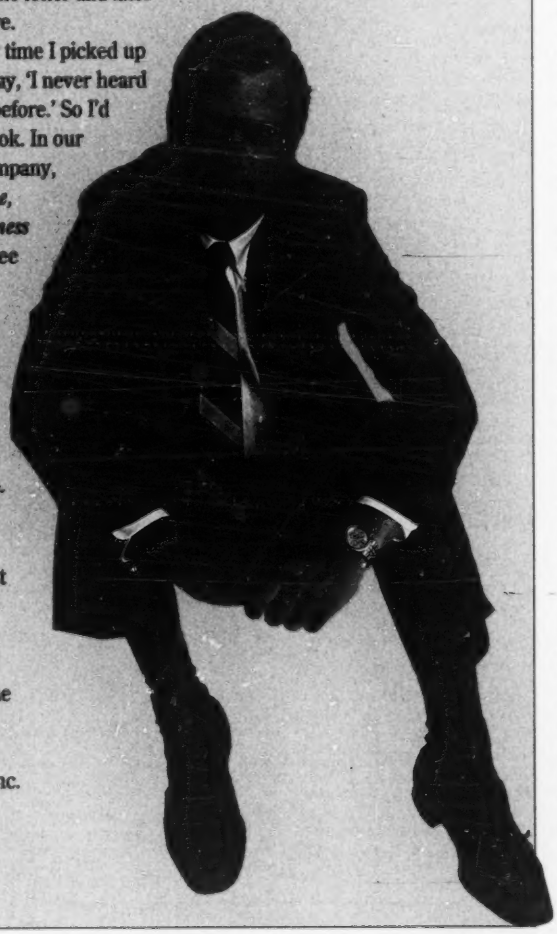
—Jack Daugherty, CEO, Cash America Investments Inc. (#79), Fort Worth

THE GOOD NEWS

What are the benefits of being public?
According to INC. 100 respondents:

54%	Enhanced credibility with customers, suppliers, banks, and so forth.
29%	More visibility.
28%	Increased options for future financing.
18%	Better employee moral and productivity.
18%	Improved attractiveness to recruits.

(Total is higher than 100% due to multiple answers.)



DAN BRYANT

audience take it a step further. "In the future," he'd say, "we hope to be involved in their other newspapers—what's the one they own in New York?" Came the reply, "*The Daily News.*" Sound manipulative? "Rapport matters," says Sudikoff.

The more Sudikoff watched, the more he became convinced that the potential investors really wanted the old soft shoe. "Going in, I might have thought I was going to meet a bunch of rich experts on everything," he says. "What you learn is that they know very little about a lot of things. To some extent, you have to be able to reduce what you do to the lowest common denominator."

To do that, Sudikoff's own presentation focused less on the technology and more on its applications. He talks about how the company provided for the transmission of "Monday Night Football" and thousands of baseball games—"people in the Wall Street community are also the people who pay attention to professional sports," he says. And he never forgot to mention that IDB circuits transmitted former President Ronald Reagan's radio speeches from his ranch. It was an IDB technician, in fact, who cued Reagan to test his microphone, only to have the president make that now-infamous jest about bombing the Russians.

Not that Sudikoff shied away from serious questions. Along with his banker, who is a former trial attorney, Sudikoff reviewed more than 100 questions likely to be asked while he was on the road. The only surprise came overseas, in Edinburgh, when a potential investor, during a discussion of tax reform's effects on IDB, asked whether evangelist Pat Robertson would get the Republican nomination for president.

Hitting Europe first was part of his strategy. Outside the United States it's permissible for companies making IPOs to offer projections—and who's to stop those numbers from floating back? "I saw it happen. I'd be with the buy siders, and they'd say, 'We talked to people in London who said your market projections are such and such. Can you confirm?' " Of course not. "All you can imply is, Well, if they said it, it must be true."

Sudikoff contends that this is neither cagey nor superficial, but rather in keeping with the atmosphere on Wall Street. "The decision to pitch with bits and bytes instead of Fred and Ginger will hurt your valuation," he says. "Maybe that's sad. But it shouldn't be surprising." The company's stock, he adds, came out and rose uninterruptedly for six months after the road show, and subsequent presentations have buoyed it further. Even as the market was plummeting on the Friday before 1987's Black Monday, IDB's stock rose more than a point, thanks to an appearance Sudikoff made in San Francisco, he claims. "Most investors don't have the time to listen to all the Jeffrey Sudikoffs in great detail," he says. "They watch you; then they go on to the next deal. Mostly, they are betting on jockeys." *(continued)*

FIRST PERSON

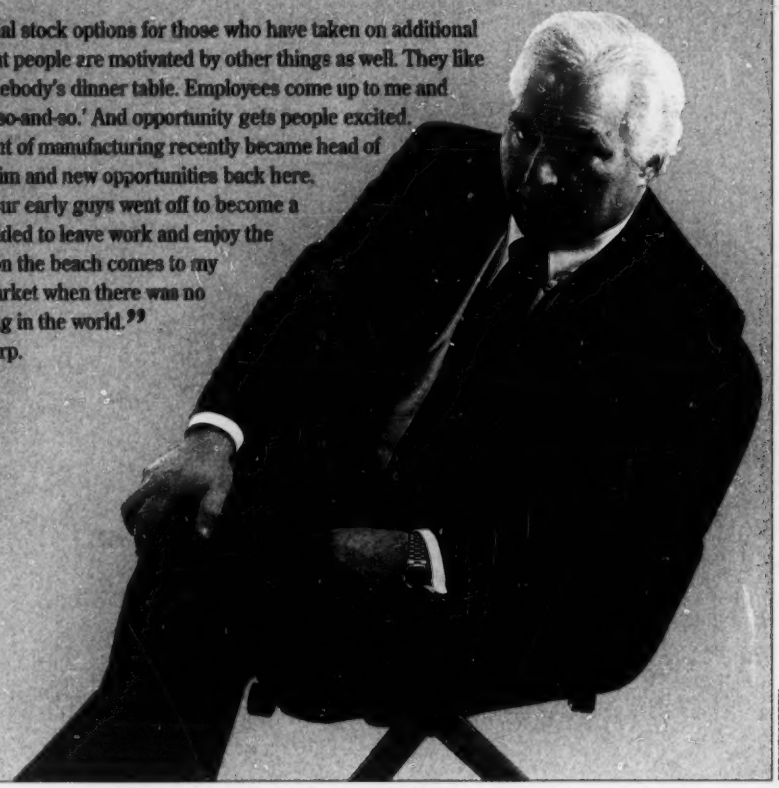
AFTER THE SCORE

"We went public with 101 employees, and we made 11 millionaires. There are more than 30 now. The first few weeks, people ran around and looked at each other and said, 'He's a millionaire.' Then the whole thing passed. Every once in a while some new hire will come in thinking the founders are made of gold. Then they see that nobody here is driving a Rolls-Royce. We got back to work pretty quickly.

"Every year we motivate by layering in additional stock options for those who have taken on additional responsibilities and made larger contributions, but people are motivated by other things as well. They like hearing about the company in the press or at somebody's dinner table. Employees come up to me and say, 'My father-in-law read about us in the top 10 so-and-so.' And opportunity gets people excited. We move a lot of people around. Our vice-president of manufacturing recently became head of Asian operations. That opens up new things for him and new opportunities back here.

"Of course, we have lost some people. One of our early guys went off to become a college professor; one woman became ill and decided to leave work and enjoy the rest of her life. The thought of leaving and lying on the beach comes to my mind, but it doesn't stay long. I believed in this market when there was no market; keeping myself excited is the easiest thing in the world."

—William Gibson, CEO, Digital Microwave Corp. (#2), San Jose, Calif.



BOB HOLMGREN

LEARNING CURVE

Has the INC. 100 and your experience as CEO of a public company made you a better manager?

Eighty percent of INC. 100 respondents think so for various reasons, the most common among them being:

- "I'm more disciplined, efficient, and focused."
- "I have more financial savvy."
- "I'm a better communicator."
- "I'm more analytical and consider more perspectives when making decisions, and I take more time."

I'll Be Forced to Live Quarter-to-Quarter

George Archuleta didn't think of his plan for an off-site executive strategy session as risky or grandiose. It was just the kind of exercise that managers of growing companies needed to engage in from time to time. We'll get away for a few days, he figured, and toss around ideas about **Vitalink Communications Corp.**'s (#78) future.

For the CEO of a public company, Archuleta was taking a lot for granted—much more than he realized. Before he even got around to packing his bags for the March meeting, Vitalink's stock price had started to creep downward, from $20 per share to $18 to $15 and finally to $12. As adjudged by Wall Street, sales for the first quarter of calendar 1990 were roughly $1 million behind expectations. One by one, the chartists ordered their followers to sell their stock in Vitalink, which makes and markets data-communications products. That mentality developed its own momentum, speeding the decline into a downward spiral.

"It's such a knee-jerk reaction," says Archuleta. "It's mind-boggling." One thing was clear, though: Archuleta and his managers couldn't go on their retreat. With much regret, he postponed the planning meeting—a graphic illustration of how they had all become prisoners of the market's myopia. "We needed to get everybody working on getting some business in the door," he says. "You have to try to produce the best numbers you can. It's unfair."

Not that the 57-year-old Archuleta is naïve. Before going public in 1988, he had been warned about the constant pressure to nudge the stock price northward. "I thought I'd have to make presentations periodically and take a few calls from investors," he says. "I guess I knew what the game would be. But it's a lot worse than I thought."

Being public, Archuleta says, not only has changed the atmosphere in which the company operates, but also has reshaped the company itself. "You actually make decisions differently," he says. In developing products, for instance, Archuleta has had to change his priorities, focusing on those that maximize quarter-to-quarter sales growth. Reluctantly, he has needed to forgo—or delay—products that he felt held strategic importance or rounded out Vitalink's identity. "The more strategic ones lose out to the big-margin producers," he says glumly. "You can't build your company as well as you'd like."

That's partly because Archuleta has to spend so much time dealing with shareholders. "Being public has a major impact on the CEO's time," he says. "Day-to-day operations suffer from my not being here. I don't accomplish a lot of the things I want to." No sooner has one quarter wound down than calls start trickling in about the next one. One day Archuleta returned to his office to find a pile of phone messages 6" deep, mostly from stockholders and analysts. How are things looking? What kind of quarter is this shaping up to be? During a ragged quarter, such as the first quarter of 1990, the voices on the phone can get ugly. "I need to speak to your CEO right away, or there won't be any switchboard or any company," one caller yelled. "I'll flush this company down the drain."

Archuleta still finds it hard to take. "When they start losing money, they get panicky," he says. "Until you deal with it, you don't realize how serious it all is." *(continued)*

FIRST PERSON

CRASH COURSE

"We were within a couple of weeks of filing when the stock market crashed. I was visiting customers and one of them said, 'Hey, did you know the stock market dropped 500 points?' It was, to say the least, disconcerting. It took about three nanoseconds to decide that we ought to pull out. I had announced our plan to go public a month before at a company meeting. 'Why would we *not* go public?' someone had asked. I told them, 'The only thing that could really change our plans would be if the stock market crashed or if Britain invaded Iran.'

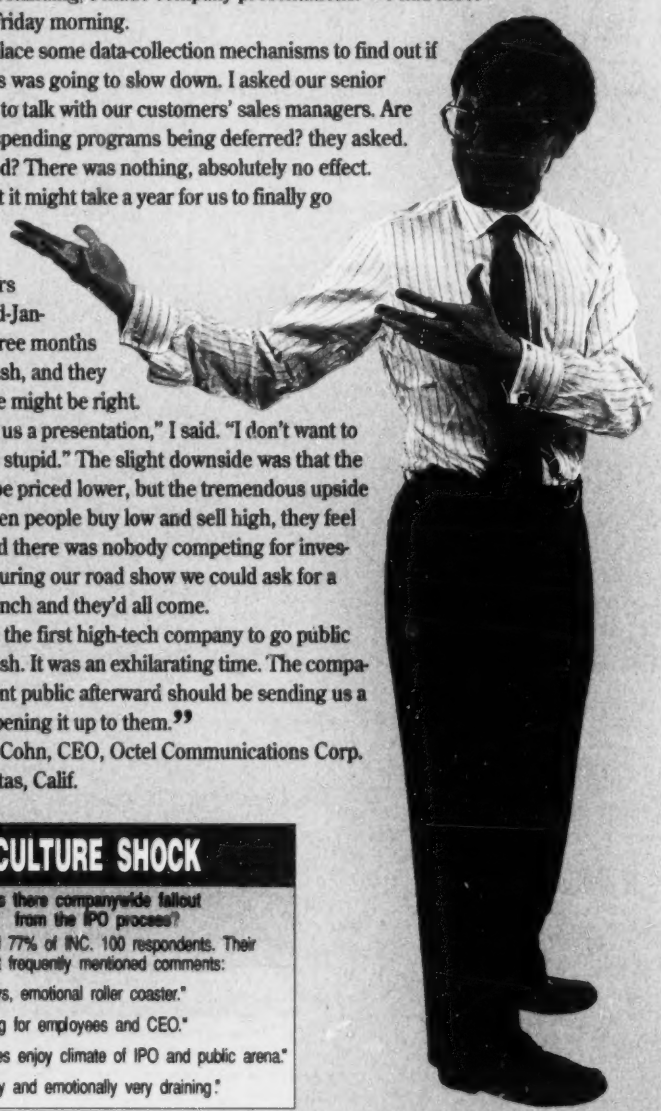
"Back at the company on Black Monday you could feel the emotional deflation. The press made the average consumer very nervous. Employees kept asking, 'What does this mean to me personally? How does this affect the company? Should I take all of my money out of the bank?' Very quickly, I started reading about the Crash of 1929, so I could explain what was happening—to employees and to myself. I talked to a couple of economists. I talked to an investment banker who is also a Rhodes scholar. Everybody was at a loss to explain it; consumer confidence is a very complex thing. As I started to get an understanding, I made company presentations. We had meetings every Friday morning.

"I put in place some data-collection mechanisms to find out if our business was going to slow down. I asked our senior salespeople to talk with our customers' sales managers. Are any capital-spending programs being deferred? they asked. Any canceled? There was nothing, absolutely no effect.

"I thought it might take a year for us to finally go public. But the investment bankers called in mid-January, just three months after the crash, and they said the time might be right. "Come give us a presentation," I said. "I don't want to do anything stupid." The slight downside was that the IPO would be priced lower, but the tremendous upside was that when people buy low and sell high, they feel positive. And there was nobody competing for investors' time; during our road show we could ask for a four-hour lunch and they'd all come.

"We were the first high-tech company to go public after the crash. It was an exhilarating time. The companies that went public afterward should be sending us a check for opening it up to them."

—Robert Cohn, CEO, Octel Communications Corp. (#54), Milpitas, Calif.



BOB HOLMGREN

CULTURE SHOCK

Is there companywide fallout from the IPO process?

Yes, said 77% of INC. 100 respondents. Their most frequently mentioned comments:

- "Long days, emotional roller coaster."
- "Motivating for employees and CEO."
- "Employees enjoy climate of IPO and public arena."
- "Physically and emotionally very draining."

Or how time-consuming. On a recent night Archuleta toiled until midnight, faxing information to shareholders. During his days as CEO of a private company, he took up to 30 vacation days. In 1989 he snuck away for 4 days. He gets to work at 6:00 a.m., leaves at 6:00 p.m., and spends his hour commute on the phone with shareholders. "Being public is exhausting," he says. "It consumes you."

Not that he ever had much choice about it. As a venture-backed company, Vitalink was born knowing what it would be when it grew up. Archuleta certainly doesn't begrudge the $44 million the company has raised. But he does resent having to kibosh his already-limited long-range planning efforts when the stock goes down $5. "I'm sitting on all sorts of strategic decisions, and that's unfair to me," he complains. "Those of us who build companies want to build solid long-term companies. Here, you've got a growth curve you've got to satisfy."

My Prospectus Will Be Used Against Me

Michael Hackworth was livid. "Wait just a second," he ordered his attorneys. "You mean we have to tell them that, too?"

Only a month away from shuttling **Cirrus Logic Inc.**'s (#4) prospectus off to the printer, the president and CEO was reviewing the information the company, which makes integrated circuits, would have to release. "Do we really have to tell the world who our major accounts are?" he asked. Yes, they nodded. "And we're required to let them know what percentage of sales each product line represents?" Uh-huh. He flipped to another page. "Why are we giving away our long-term strategy?" he cried. Silence. "Forget it. I can't go through with this."

In the midst of the ensuing confrontation—"It's like opening up your family's checkbook to everybody"—his lawyers suggested that Hackworth read other prospectuses. In browsing through them, he admits, "I saw that was just the way it was."

Not that his fears were unfounded. Two hours after finishing his road show in San Francisco, for instance, he got a call from one of his customers. "We need to talk about your margins and our margins," the customer demanded. And that was just the first of many "emotional conversations," Hackworth reports. Customers, he discovered, didn't cotton to the notion that a supplier's profitability should be higher than theirs. Some brought it up in half jest. Negotiating a price for a part, they might mutter, "Gee, you guys are so profitable, you can afford to take some percentage points off." Hackworth's counterargument: "It's irrelevant. The profitability of a customer is determined by the conditions of the marketplace. The supplier's margins have to do with how competitive it is against other solutions."

Competitors, too, panned the prospectus for incriminating nuggets. One of them, delighted to find that one product line repre-

Inc. 100

FIRST PERSON

SECOND TIME AROUND

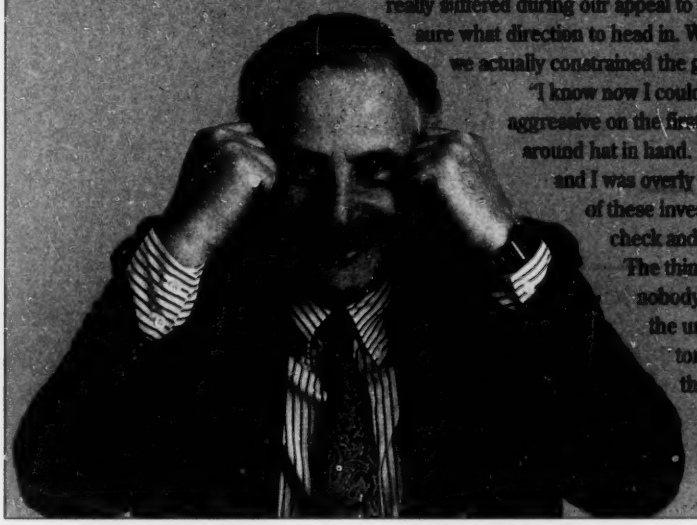
"We raised money twice, first in May 1986, then in August 1987. Raising public money is much smoother the second time around. I'll bet it'll get even easier if we go for a third.

"The first time, investors are enamored of the sizzle; they get to believe you are heading for the moon. The second time you attract a different kind of investor, a professional, sophisticated investor who deals with larger sums of money. They are mostly interested in forecasting and in your growth pattern. I could tell that the people who saw me the first time were thinking, Who is this huckster? I was a loose cannon and I was firing rapidly. The attorney used to pound me over the head and say, 'No projections.'

"By the time we went back, though, we were a public company with fiduciary responsibilities. The investors figured that if I said I needed the money for an acquisition, they could believe me. And we didn't get distracted by the process. The first time, our business really suffered during our appeal to the public. When we finally got the money, we weren't sure what direction to head in. We had spent so much time trying to be good children that we actually constrained the growth of the business.

"I know now I could have been much more aggressive on the first offering. I went around hat in hand. I was unsure of myself, and I was overly impressed with the ability of these investment bankers to write a check and instantly change your life. The thing about going public is nobody is doing you a favor. Not the underwriters, not the investors. Everybody needs to do these deals."

—Jason Bacher, CEO, AutoInfo Inc. (#38), Maywood, N.J.



WE RECOMMEND...

Any tips for IPO-bound CEOs based on your experience?

Advice from INC. 100 respondents:

- Before going public, run your company as if it already is.
- Make sure you have a management team capable of taking over operations for six months.
- Tell your company's story simply and honestly; be totally up-front.
- Don't go public until your business is mature enough to produce consistent quarterly results.
- Evaluate a potential IPO as you would any other financing option; don't over-glamourize it; look beyond liquidity.

sented 70% of the company's revenues, derided Cirrus as a one-product company that wasn't serious about some of its customers. "It created an issue our salespeople had to deal with," says Hackworth with a sigh.

When competitors and customers run out of ammunition, Wall Street analysts are always ready to rearm them. "They are out there digging, and that's something you have to deal with on an ongoing basis," Hackworth says. "We've probably had nearly a dozen reports on the company, and I've absolutely had moments of shock reading them."

The experience has been instructive—to say the least. "I understand what going public really means," says the 49-year-old. "It doesn't just mean that securities will be held by public shareholders instead of private ones. It means going public with a great deal of information. It's easy to underestimate the amount or detail that will come out."

I'll Become the Target of a Hostile Takeover

On paper, **International Broadcasting Corp.** (#44) may sound like the ultimate in harmless—even old-fashioned—enterprises.

But on Wall Street, even a company that counts the Harlem Globetrotters, the Ice Capades, and several amusement parks among its holdings can become just another undervalued stock. That makes it subject to some hard realities. "Any public company knows that what happened to us is always a possibility, and you have to be prepared," says Thomas K. Scallen, president and CEO. "But when you're trying to build a business, you can't help but resent it."

About a year ago Scallen noticed that IBC's stock was trading heavily. "You watch it, and you think, OK, now what's going on?" recalls Scallen. Soon he was informed that J&T Investors, an Atlanta group, was attempting a takeover of IBC. "The whole thing was just a wonderment," says Scallen, 62.

Huddling with directors and lawyers, Scallen reviewed the offer and decided it was not in the company's interest. Last June, J&T's two principals attended the company's annual meeting. Introducing them from the podium, Scallen asked them to stand. As they did, a process server handed them legal papers. "Why did we do it like that? We're in the entertainment business," notes Scallen, whose suit claims that J&T was misleading in its attempts to buy the company and manipulated the stock price. "We don't think they acted properly." J&T has filed a countersuit against the company, Scallen, and some of his board members.

The stock hasn't been the only thing gyrating wildly. As the takeover proceeded, employees began bouncing off the walls. "The jungle drums are beating, and everyone's worried," Scallen says. " 'What's going to happen to this company?' they want to know. 'What's going to happen to my job?' It's hard on them. What hurts the company is the fear they go through." Worse, they sometimes act on it: one prospective hire said he would come aboard only with a two-year contract.

To calm them, Scallen has made sure everybody has been kept up-to-date. "We kept everybody informed about what was going on and what the board's view was," he says. "Still, it scares the heck out of them. You spend a lot of time and pay lawyers a lot of fees." Because Scallen has taken a company public before, IBC is not as vulnerable as it might have been. The company, for instance, has a supermajority clause in its articles of incorporation; 80% of the shareholders must approve any sale or merger. "As a public company, you have to plan for this," he says. "There are several steps you can take."

But alas, nothing is foolproof. In early March, even as Scallen was awaiting a trial date to be named, he noticed IBC stock was "trading like crazy, so it looks like somebody has the same idea as before." As of mid-month, he reported, "I'm in the waiting stages again. All I can do is wait." Then he sighed, quickly adding, "In a way, it vindicates our judgment about the opportunities we see. I guess it's just part of being public." ❑

PHOTO: PETER VIDOR

HANDS ON

A Manager's Notebook

FINANCIAL STRATEGIES

LESS FILLING, SELLS GREAT

When a large corporate customer tries to throw its weight around on a purchase, ordering, say, 10 truckloads of goods with 120-day terms, it can send a small company's budgets and cash flow into chaos. Jim Anthony, CEO of Delta Technology International, a software company in Eau Claire, Wis., talks his customers into buying less—at least for the short term.

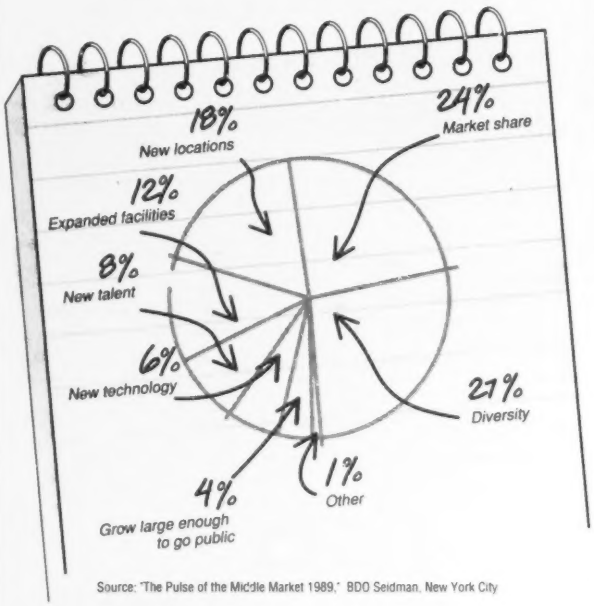
When Delta's salespeople make a call on a prospective customer, they recommend that a buyer test five or six copies of its software to get acquainted with the program and then equip one department at a time. By selling amounts that the large company's buyer can personally sign off on, Delta avoids the problems of receiving unsigned purchase orders or having to wait for decisions to be made at committee meetings, which can drag out and even kill deals.

Seven-year-old Delta's $99 menu-system software program, called Direct Access, ranked in the top 20 of corporate titles on a 1989 industry best-seller list, so the strategy appears to work. "And without the accompanying headaches," says Anthony. ❑

STRATEGIC PLANNING

ACQUIRING MINDS

Of 1,873 active owners of companies with annual revenues of $2 million to $100 million, 53% would like to acquire another company in three to five years for one of these reasons:



Source: "The Pulse of the Middle Market 1989," BDO Seidman, New York City

MARKETING

A MOVING PICTURE IS WORTH . . .

You can spend thousands on a direct-mail campaign only to find you've filled more wastebaskets than orders. Polymer Plastics Corp., a company based in Mountain View, Calif., that sells printer circuit-board products, found a way to bypass the circular file. "If customers got a videotape in the mail, I figured they were going to have to look at it," says CEO Larry Stock. "Curiosity alone was going to kill them."

They don't just look. Stock estimates that when video catalogs accompany the paper catalogs, they generate 20 times the response of paper catalogs sent alone. After the videotapes were introduced, stagnant sales of one product line leaped from $10,000 a month to more than $20,000. Sales for Polymer's products have tripled to $2.3 million in the two years since the company started sending out the video catalogs.

Stock targeted the videos at customers, but "it's a real benefit to distributors, too," he says. Because the tapes demonstrate how to use the products, they serve as a sales and training tool that distributors can use in customer calls. ❑

ADVERTISING

NUTS AND BOLTS

Advertising executives may scoff at the idea, but there's a good reason why New Pig Corp. puts a picture of its factory in its sales brochure. At a weekly sales meeting, New Pig's in-house sales force reported that competitors' salespeople were besmirching New Pig's reputation.

"Somebody said we were a two-bit operation importing from Mexico," recalls one employee of this manufacturer of oil-absorbent socks for heavy machinery. Others had similar stories to share.

"We'll show them who has the biggest smokestack in town," figured founder and chairman Don Beaver. He decided to quiet skeptics by including a picture in the sales brochure of the New Pig factory in Altoona, Pa., where the five-year-old company's 170-some employees work.

Today prospective customers have little doubt about $18-million New Pig's stature. ❑

RECRUITING

CUSTOMER PROSPECTS

Shopsmith Inc., a $43-million Dayton manufacturer of woodworking equipment, may just have found the solution to the age-old problem of finding good employees who are knowledgeable about its products.

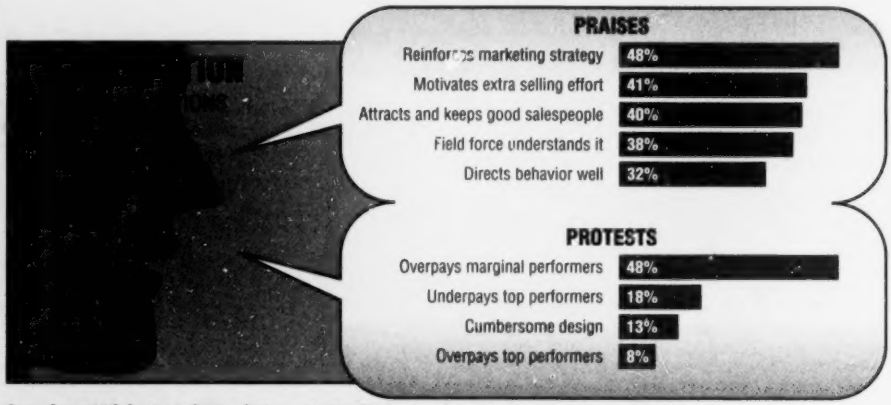
If a position opens up at one of its retail outlets or when it needs to hire staff for a new-store launch—the company has opened one store a month over the past three years—Shopsmith sends letters and postcards to local customers announcing it is looking for managers and part-time help.

The average direct-mail campaign to 3,000 customers costs at least 30% less than a classified ad in a local newspaper. It's been so successful that Shopsmith has stopped using classified ads altogether in some markets.

"It's the rifle versus the shotgun approach," as advertising director Perry Martin puts it. He reports that Shopsmith has found virtually all its part-time woodworkers and a handful of managers through the two-year-old campaign. For Shopsmith's loyal customers who sign on, says Martin, "it's their dream job." ❑

CHARTS: ELIOT BERGMAN

HANDS ON



Source: Survey of INC. Growing the Company Conference attendees: 234 executives of companies with average annual revenues of $16.1 million and an average of 11 sales employees, by Hewitt Associates, Lincolnshire, Ill., January 1990

COMMUNICATIONS

LET'S DO LUNCH

As SynOptics Communications, a supplier of computer-networking systems, grew from 11 to 425 employees over four years, communications problems among the company's five functional groups grew just as fast. So CEO Andrew Ludwick began the "staff-to-staff brown-bag lunch."

The idea for the lunch meetings came after a manufacturing line supervisor complained that a new circuit board took much too long to assemble. Ludwick sat the supervisor and an engineer down at the same table to figure out how they could work together to make the product easier to assemble. By replacing a part on the board with a smaller, cheaper part, they determined, the board could be assembled much more quickly.

Now, each quarter the company buys lunch for two related divisions. All the key people from both divisions sit down together at five tables in the company's Mountain View, Calif., headquarters. Each table is assigned a problem that it must solve over lunch and then present the results to the rest of the group.

"On a superficial level, we are simply solving problems," says Ludwick. "But we are also creating chemistry among all our employees." ❑

TRAINING

BACK TO THE BASICS

An employee reading at a snail's pace is a mighty inefficient worker, says J. W. Kisling, CEO of Multiplex Co., a Ballwin, Mo., manufacturer of automatic beverage dispensers. So Kisling, who was once a slow reader, invested in a speed-reading course for his employees.

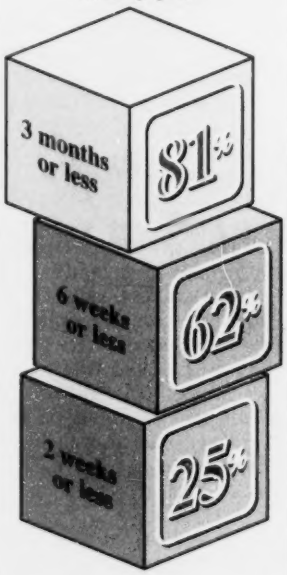
For six weeks 40 of his 200 employees from the office and factory met for three hours of instruction twice a week—from 7 a.m. to 10 a.m. Reading rates went up at least 50%, and comprehension rates for most students increased 50%.

The course was offered to all employees. Those who read volumes of material in a typical day's work and have to glean important information quickly have found it especially helpful. "You don't have to do arithmetic to see that this makes sense," says Kisling, who paid $6,000 for the course. ❑

BENEFITS

PAID PARENTAL LEAVE

How long an absence do you think employers should pay for?



Source: "Public Attitudes on Parental Leave," survey of 530 consumers conducted by the Gallup Organization Inc. for Employee Benefit Research Institute, November 1989

CUSTOMER SERVICE

CUSTOMER AS PARTNER

Even if you've developed a wonderful retail consumer product and have positive results from focus groups and test markets, if buyers for the nation's retailers aren't convinced, you're never going to get on the shelf. Norman Melnick, chairman of Pentech International, a maker of inexpensive writing and drawing implements based in Edison, N.J., convinces the buyers by turning them into his partners.

Before going into production, Melnick talks with buyers and lets them shape the final product. If they want his pens to come in a 16-pack as opposed to an 8-pack, he'll do it. They think the package takes up too much space on the shelf? No problem. The packaging will shrink. Buyers become part of the manufacturing and marketing process and develop a vested interest in the product's success.

And Melnick, whose company now sells $23 million worth of products a year, makes them put their company's money where their advice is. "Pentech does not produce an item without an order in hand," he says. ❑

ENVIRONMENT

A CHARGE FOR THE GOOD

Environmental conservation efforts typically require two already endangered resources: your money and your time. Not so with an environmental conservation organization's "affinity" credit card, a joint venture between the banking institution offering the card and the nonprofit that markets it. A small percentage of the fee a bank collects on every transaction—and, in some cases, a percentage of the annual fee as well—is funneled into a nonprofit environmental organization.

Here are some environmental groups that have affinity cards your business could use. For applications and information on annual fees and percentage rates, call: American Rivers Inc., (202) 547-6900; National Audubon Society, (800) 445-1336; National Wildlife Federation, (800) 432-6564; The Nature Conservancy, (800) 628-6860; Sierra Club, (415) 776-2211 ext. 5653 (members only); and World Wildlife Fund, (800) 441-7011. ❑

(HANDS ON continued)

HANDS ON

MANAGING PEOPLE

FORK IT OVER

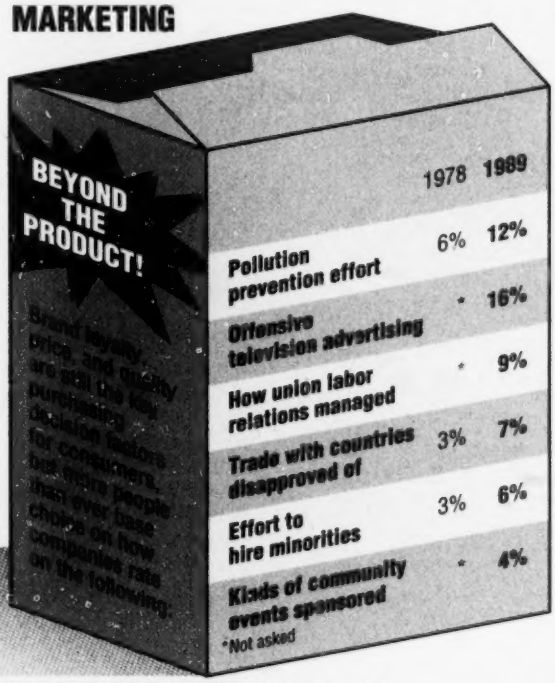
Most CEOs appreciate the management value of personally handing out the paychecks. "It's a symbolic act to make sure everybody understands that their work is important," says Thomas Melohn, president of North American Tool & Die Inc., a $20-million company based in San Leandro, Calif.

But Melohn goes even further.

About two or three times a year, at a monthly company-wide meeting, he asks employees to hand out one another's paychecks. Soon, says Melohn, "the place starts to look like a church social," with some employees meeting for the first time as they hand out pay.

"It reinforces that we're in it together, we're family, and there are no walls," he says. ❑

MARKETING


BEYOND THE PRODUCT!
Brand loyalty, price, and quality are still the key purchasing decision factors for consumers, but more people than ever base their choice on how companies rate on the following:
1978 1989
Pollution prevention effort 6% 12%
Offensive television advertising * 16%
How union labor relations managed * 9%
Trade with countries disapproved of 3% 7%
Effort to hire minorities 3% 6%
Kinds of community events sponsored * 4%
*Not asked

Source: "The Public Pulse," a survey of 2,000 people from all walks of life. The Roper Organization Inc., New York City, January 1990

TRAVEL AND ENTERTAINMENT

MONEY-BACK SERVICE

If your company's airfare bill isn't fat enough to rate a corporate discount, there is another way to trim it. Travel Avenue in Chicago is one of several services that charge a flat fee on every ticket sold and rebates the usual airline commission—which can be 8% to 25% of ticket price—to the customer. This rate structure eliminates the incentive for travel agents to try to sell more expensive tickets to air travelers.

This discount house also cultivates long-term small-business clients by invoicing monthly and keeping credit-card numbers on file for easy billing. ❑

ON THE CHEAP

COMPUTER SECURITY *By Cary Lu*

BRUCE SANDERS

The media run rampant with stories of cracked computer files and corporate espionage. So why do people think nothing of leaving electronic versions of sensitive documents on a hard disk drive, readily accessible to anyone who sits down at the computer and types a few commands?

There is a simple, low-cost method to keep your sensitive computer documents confidential. Store them on floppy disks instead of on your hard disk. Then treat those floppies as you would confidential paper documents—lock them up when you aren't using them. The disadvantages of floppies—slower operation and lower capacity than hard disks—are a small price to pay for security and privacy.

After you've moved the sensitive files from your hard disk to the floppies, you should erase them from the hard disk. Simply deleting files doesn't actually remove the data from a hard disk. The information is still there; only a directory entry is changed. To actually erase the data, you need to use a utility program such as PC Tools Deluxe from Central Point Software Inc. for the IBM PC and clones; MacTools Deluxe, also from Central Point; or Symantec Corp.'s SUM II for the Macintosh.

If you don't have access to utility software, then you should change or garble the contents of your sensitive file on the hard disk after you've copied it to a floppy disk. If your program makes a backup file automatically, then you'll want to garble the backup file as well by making an additional change to the saved garbled file and saving it again. Then delete both the file and the backup file. This method isn't as good as a true erasure, but only the most determined snoopers will be able to find your documents.

If you must keep a sensitive file on a hard disk (perhaps because it is too large to fit on a floppy), then you should use an encryption program that scrambles the contents. The three utility programs mentioned above all do encryption. ❑

OPERATIONS

CHANGING TIMES

Change can be stressful in a growing business, especially when it trespasses on employees' workspace. Harry Seifert, CEO of $12-million Winter Garden Salad Co., based in New Oxford, Pa., learned the hard way that morale can suffer if employees aren't updated on revamps that affect their workstations.

Management redesigned one of the plant's workstations but neglected to tell the employees who use it every day. Suddenly finding their familiar workstation gone one morning bombed with the group. Seifert had thought they'd be thrilled with the new design, but before long companywide morale hit an all-time low. Now, Seifert takes the time to hold quarterly meetings for all 140 employees on such changes. Morale is back up, he reports, and management-employee relations have improved. ❑

Reported by Teri Lammers, Paul B. Brown, Joshua Hyatt, Anne Murphy, and Tait Wardlaw